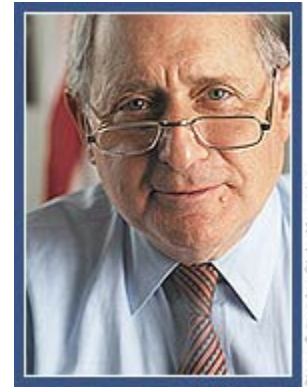




Dear Robert,

This week I joined Senator Tom Coburn of Oklahoma in the release of a bipartisan report on the causes of the financial crisis that pushed us into the recession that continues to afflict families in Michigan and across the country.

The report is the product of more than two years of work by the Senate Permanent Subcommittee on Investigations, which I chair. Over more than 600 pages, it demonstrates that the financial crisis was a man-made economic assault, the product of reckless risk-taking and rampant conflict of interest on the part of some big banks, mortgage companies and credit rating agencies.



What did we learn in our investigation? Conflict of interest is the common thread that runs through this whole sordid story. Our bipartisan report pulls back the curtain on shoddy, risky and deceptive practices. We showed that major financial institutions deceived their clients and the public, aided and abetted by conflicted and deferential regulators and credit rating agencies.

Washington Mutual Bank, the nation's largest thrift, issued thousand of mortgages that later failed and resulted in foreclosures that devastated neighborhoods. Executives at WaMu pursued a high-risk strategy of selling dubious and often fraudulent mortgages and pushing customers into high-risk, high-interest loans so WaMu could reap higher profits.

We showed how WaMu's main federal regulator, the Office of Thrift Supervision, knew all along about major problems with the bank's mortgages. But instead of cracking down, OTS treated WaMu with kid gloves, refusing to act on repeated warnings by its examiners and blocking efforts by other regulatory agencies to act. We also examined how credit rating agencies that were supposed to provide objective opinions about the quality of mortgage-related securities gave high ratings to toxic assets.

And we showed how investment banks such as Goldman Sachs assembled toxic securities, misled the clients they sold them to, and then profited by betting against the very same investments they had sold to their clients.

Last year, Congress passed the Dodd-Frank Act, which addresses many of the problems our investigation identified. It included a provision that Sen. Jeff Merkley of Oregon and I fought for, limiting the ability of banks to make risky investments for their own profit, and prohibiting them from betting against the same investments that they sold to clients.

Our report includes 19 new recommendations to further curb Wall Street excesses and conflicts of interest. Those recommendations, like the Dodd-Frank Act itself, will be opposed by some members of the financial industry that want to continue their risk-taking ways. I'll do all I can to make sure that federal regulators act with forcefulness and determination to fully implement the reforms we need.

Sincerely,

A handwritten signature in black ink that reads "Carl". The signature is written in a cursive, slightly slanted style.

Carl Levin